

C.C.E. CENTRAL DISPATCH AUTHORITY  
(Charlevoix, Cheboygan and Emmet Counties)

REPORT ON FINANCIAL STATEMENTS  
(with required supplementary information)

for the year ended December 31, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>C.C.E. Central Dispatch Authority</b>	County <b>Emmet</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>6/1/05</b>	Date Accountant Report Submitted to State: <b>7/25/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Smolinski &amp; Christman, P.C.</b>			
Street Address <b>555 Michigan Street</b>		City <b>Petoskey</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49770</b>	Date <b>7/25/05</b>

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*Smolinski & Christman, P.C.*  
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June 1, 2005

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
C.C.E. Central Dispatch Authority:

We have audited the accompanying financial statements of the governmental activities and the major fund of C.C.E. Central Dispatch Authority (a joint venture of Charlevoix, Cheboygan and Emmet counties) as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of C.C.E. Central Dispatch Authority as of December 31, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Authority has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* as of January 1, 2004.

Independent Auditors' Report  
June 1, 2005

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 20, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Smolinski & Christman, P.C.*

C.C.E. CENTRAL DISPATCH AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
for the year ended December 31, 2004

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This section of the annual financial report presents management's discussion and analysis of C.C.E. Central Dispatch Authority's (the "Authority") financial performance during the year ended December 31, 2004. It should be read in conjunction with the Authority's financial statements which immediately follow. As this is the first year of implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, data from prior years is not available but will be provided in subsequent years for comparative purposes.

**Financial Highlights**

- The assets of the Authority exceeded its liabilities at December 31, 2004 by \$2,751,187 (net assets). Of this amount, \$671,966 (unrestricted net assets) may be used to meet the ongoing obligations for Authority programs.
- The Authority's total net assets decreased by \$67,994. A key factor in this decrease was depreciation expense, which amounted to \$461,369.
- At December 31, 2004, the Authority's general fund reported ending fund balance of \$936,369, an increase of \$238,106.
- At December 31, 2004, unreserved fund balance for the general fund was \$512,900, or 33% of total general fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements can be found on pages 10 and 11 of this report.

C.C.E. CENTRAL DISPATCH AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
for the year ended December 31, 2004

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**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Authority is categorized as a governmental fund.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund. The general fund is considered a major fund.

The Authority adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 10 and 11 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 19 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's general fund budget on page 20.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
for the year ended December 31, 2004

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Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceed liabilities by \$2,751,187 at the close of the year ended December 31, 2004, as summarized in the following table:

Assets		
	Current Assets	\$1,071,653
	Capital Assets, net	<u>1,750,547</u>
	Total assets	<u>\$2,822,200</u>
Liabilities		
	Current Liabilities	\$ 63,114
	Long-term Liabilities	<u>7,899</u>
	Total liabilities	<u>\$ 71,013</u>
Net Assets		
	Invested in capital assets	\$1,750,547
	Restricted for capital improvement	328,674
	Unrestricted	<u>671,966</u>
	Total net assets	<u>\$2,751,187</u>

The largest portion of the Authority's net assets (64 percent) reflects its investment in capital assets. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

A portion of the Authority's net assets (12 percent) is restricted for capital improvements. This restriction was imposed by the counties. The counties passed a resolution to assess a 4% surcharge on telephone land lines in the counties. The surcharge revenue is only to be used for the upgrade and replacement of equipment of the Authority.

The unrestricted net assets (24 percent of total net assets) may be used to meet the government's ongoing obligations to citizens and creditors.



C.C.E. CENTRAL DISPATCH AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
for the year ended December 31, 2004

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The government's net assets decreased by \$67,994. Most of this decrease largely reflects the degree to which ongoing expenses exceed ongoing revenues. Key elements of this decrease are as follows:

Revenue

Program revenues:

Operating contributions	\$1,169,106
Wireless user fees	296,866
Telephone surcharges	329,673
Federal, state, and local grants	56,393
Interest	14,991
Other	<u>1,949</u>

Total revenue	1,868,978
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Expenses

Public safety, including depreciation of \$461,369	<u>1,936,972</u>
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Decrease in net assets	<u>\$ ( 67,994)</u>
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As discussed earlier, the telephone surcharge revenue is restricted for capital improvements. The surcharge was assessed for the first time in 2004; therefore it is a new revenue source.

**Financial Analysis of the Government's Funds**

**Governmental fund.** As noted earlier, the focus of the governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current year, the Authority's governmental fund reported an ending fund balance of \$936,369, an increase of \$238,106 from the prior year. 55% or \$512,900 of the fund balance constitutes unreserved fund balance, which is available for spending at the Authority's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to prepaid expenditures (\$94,795) or 2) for capital improvements (\$328,674).

The increase in the fund balance of \$238,106 indicates that revenues were in excess of expenditures for the year. In the prior year, the fund balance increased by \$217,775.

Total revenues of \$1,796,808 were lower than prior year revenues of \$1,862,422. Primary reasons for this were that capital contributions were not requested from the participating counties in 2004 and some revenues were not collected within 60 days of the end of the current fiscal period, thus making them ineligible for recognition under the modified accrual basis of accounting.

C.C.E. CENTRAL DISPATCH AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
for the year ended December 31, 2004

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Total expenditures of \$1,558,702 were lower than prior year expenditures of \$1,644,647. This is a decrease of \$85,945 in expenditures. Some of the more significant variances in expenditures are as follows:

- Capital outlay decreased by \$197,384 in the current year (\$90,998) from the prior year (\$288,382). The prior year included significant expenditures for CAD software that were not incurred in the current year.
- Repairs and maintenance increased by \$60,123 in the current year (\$158,361) from the prior year (\$98,238). The current year included a maintenance agreement for the CAD software that was in effect for a full year for the first time in the current year.
- Salaries and wages increased by approximately \$17,000 from the current year to the prior year. This reflects annual wage increases and the addition of dispatcher positions.
- Employee benefits increased by approximately \$23,000 from the current year to the prior year. This reflects annual benefit increases and the addition of dispatcher positions.

**General Fund Budgetary Highlights**

The Authority prepares a budget annually, with amendments made when necessary. Each amendment to the budget is approved by the Board of Directors. The Authority prepares the budget on the cash basis of accounting. The majority of the operational and capital and developmental funding is received from the general funds of the counties comprising the Authority. A 4% telephone surcharge was approved by each of the counties, beginning in 2004, authorizing a charge for each telephone land line of \$.80 per month to be assessed and forwarded to the Authority. These incoming funds are restricted for the upgrade and improvement of infrastructure of the Authority.

State law requires that expenditures do not exceed appropriations. Original and final budgets, as well as actual amounts paid and received on the cash basis of accounting, are included as required supplementary information in the report of financial statements. The budget was amended to include an additional amount in capital outlay of \$63,385 for a new vehicle, CAD conversion expense and other equipment.

The Authority received \$1,786,028 in revenues on the cash basis of accounting. The amount budgeted for revenues was \$1,431,606. Thus, the Authority was \$354,422 over budget in revenues. This overage is mainly caused by the aforementioned 4% telephone surcharge not being incorporated in the budget. The surplus of revenues over expenditures have been placed in the fund balance to be used for infrastructure upgrades and/or offset to future county appropriations increases.

The Authority's expenditures were \$1,621,061 on the cash basis of accounting. The amount budgeted for expenditures was \$1,553,991. Thus, the Authority was \$67,070 over budget in expenditures. Several reasons for this exist, including overtime wages being more than anticipated, two years' worth of insurance paid in 2004, and capital outlay being more than anticipated.

C.C.E. CENTRAL DISPATCH AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
for the year ended December 31, 2004

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**Capital Assets**

The Authority's investment in capital assets for its governmental activities as of December 31, 2004, amounts to \$1,750,547 (net of accumulated depreciation). The Authority's capital assets as of December 31, 2004 consist of the following:

Land	\$ 78,118
Building and improvements	1,118,378
Furniture and equipment	1,691,206
Vehicles	40,712
Software	<u>822,690</u>
Total capital assets	3,751,104
Less accumulated depreciation	<u>2,000,557</u>
Total capital assets, net	<u><u>\$1,750,547</u></u>

Additional information on the Authority's capital assets can be found in Note E in the notes to the financial statements.

**Economic Factors and Next Year's Budget**

The Authority plans to expend approximately \$2,500,000 in 2005 and 2006 for capital improvements to its communication system. The improvements will be financed by grants, telephone surcharge income and savings.

The following items were considered in preparing the budget for the Authority for the year ended December 31, 2005:

- The Authority would realize an increase in wages and health benefits for the employees.
- The Authority would be receiving significant revenues from the 4% telephone surcharges authorized by the counties, and that this specific income would be utilized solely for the upgrade and improvement of the infrastructure of the Authority, to include towers and tower equipment, radio equipment, etc.
- The Authority would realize increases in the cost of maintenance and support of the hardware and software, as well as licensing of software for the various systems and applications needed by the Authority and agencies served by the Authority.
- The Authority would use part of the fund balance to offset increases to the appropriations to the counties for the funding of the operation of the Authority.

C.C.E. CENTRAL DISPATCH AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
for the year ended December 31, 2004

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Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, C.C.E. Central Dispatch Authority, 1694 South U.S. 131 Hwy., Petoskey, MI 49770.

C.C.E. CENTRAL DISPATCH AUTHORITY  
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS  
December 31, 2004

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
<b>ASSETS:</b>			
Cash	\$ 334,965	\$ -	\$ 334,965
Certificates of deposit	506,651	-	506,651
Due from other governmental units	60,573	72,170	132,743
Interest receivable	2,499	-	2,499
Prepaid expenditures	94,795	-	94,795
Capital assets, net of accumulated depreciation	<u>-</u>	<u>1,750,547</u>	<u>1,750,547</u>
Total assets	<u>\$ 999,483</u>	<u>\$1,822,717</u>	<u>\$2,822,200</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 19,215	\$ -	\$ 19,215
Accrued payroll and taxes	15,506	-	15,506
Deferred grant revenue	28,393	-	28,393
Accrued compensated absences	<u>-</u>	<u>7,899</u>	<u>7,899</u>
Total liabilities	63,114	7,899	71,013
<b>FUND BALANCE/NET ASSETS:</b>			
Fund balance:			
Reserved for:			
Prepaid expenditures	94,795	(94,795)	
Capital improvements	328,674	(328,674)	
Unreserved	<u>512,900</u>	<u>(512,900)</u>	<u>-</u>
Total fund balance	<u>936,369</u>	<u>(936,369)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 999,483</u>		<u>-</u>
Net assets:			
Invested in capital assets		1,750,547	1,750,547
Restricted for capital improvements		328,674	328,674
Unrestricted		<u>671,966</u>	<u>671,966</u>
Total net assets		<u>\$2,751,187</u>	<u>\$2,751,187</u>

The accompanying notes are a part of the financial statements.



C.C.E. CENTRAL DISPATCH AUTHORITY  
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
for the year ended December 31, 2004

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
REVENUES:			
Contributions from participating municipalities	\$ 1,169,106	\$ -	\$ 1,169,106
Cellular telephone and wireless user fees	248,547	48,319	296,866
Telephone surcharges	305,822	23,851	329,673
Federal grants	3,189	-	3,189
State grant	3,268	-	3,268
Local revenue sharing board grants	49,936	-	49,936
Interest	14,991	-	14,991
Other	1,949	-	1,949
Total revenues	1,796,808	72,170	1,868,978
EXPENDITURES:			
Public safety:			
Salaries and wages	717,276	7,899	725,175
Payroll taxes	54,872	-	54,872
Employee benefits	163,292	-	163,292
Retirement plan	52,510	-	52,510
Professional and contractual services	90,455	-	90,455
Utilities	25,234	-	25,234
Supplies and postage	17,199	-	17,199
Vehicle	1,116	-	1,116
Travel	3,821	-	3,821
Telephone	111,444	-	111,444
Repairs and maintenance	158,361	-	158,361
Education and training	2,133	-	2,133
Miscellaneous	2,981	-	2,981
Rent	18,285	-	18,285
Insurance	16,827	-	16,827
Mapping	23,648	-	23,648
Licensing	8,250	-	8,250
Depreciation	-	461,369	461,369
Capital outlay	90,998	(90,998)	-
Total expenditures	1,558,702	378,270	1,936,972
CHANGE IN FUND BALANCE	238,106	(306,100)	(67,994)
FUND BALANCE/NET ASSETS, beginning of year	698,263	2,120,918	2,819,181
FUND BALANCE/NET ASSETS, end of year	\$ 936,369	\$ 1,814,818	\$ 2,751,187

The accompanying notes are a part of the financial statements.



C.C.E. CENTRAL DISPATCH AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting Entity

C.C.E. Central Dispatch Authority (the "Authority") is a joint venture formed by, and on behalf of, participating municipalities located within the counties of Charlevoix, Cheboygan and Emmet under the auspices of the Inter-Governmental Contracts Between Municipalities Act, Urban Cooperation Act, and Emergency Telephone Service Enabling Act. Its purpose is to centralize the dispatch of emergency service responders in the three county area.

The Authority is governed by a nine member Board of Directors made up as follows:

Three county commissioners: one appointed from each county board of commissioners.

Three city or village representatives: one selected from each county.

Three township representatives: one selected from each county.

The accompanying financial statements present the activity for which the Authority considers itself financially accountable.

The accounting policies of the Authority conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

Adoption of New Accounting Standards

For the year ended December 31, 2004, the Authority adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued June 1999; GASB Statement 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued June, 2001, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. These statements require the Authority to prepare a Management's Discussion and Analysis, government-wide financial statements on an accrual basis, and make certain changes to the footnotes.

The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34:

Fund balance at December 31, 2003	\$ 698,263
Net capital assets	<u>2,120,918</u>
Restated net assets - January 1, 2004	<u>\$2,819,181</u>

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government unit.

C.C.E. CENTRAL DISPATCH AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Government-wide and Fund Financial Statements (Continued)

The Authority utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Authority maintains only one fund, the general fund, which is accounted for as a governmental fund.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (the statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.



C.C.E. CENTRAL DISPATCH AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets, Liabilities and Net Assets or Equity

**Cash and Investments**

Cash includes amounts in petty cash and demand deposits. Investments, if any, would include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Authority to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Authority is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include land, building, furniture, equipment, vehicles, and software are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Authority, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Software	3
Furniture, equipment and vehicles	5-10
Building and building improvements	40

C.C.E. CENTRAL DISPATCH AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets, Liabilities and Net Assets or Equity (Continued)

**Deferred Grant Revenue**

The Authority has received grants of \$28,393 from the Local Revenue Sharing Board which were not spent at December 31, 2004. Therefore, the grants are recorded as deferred revenue at December 31, 2004. The Authority anticipates recording revenue in 2005 when the grant funds are expected to be spent for their designated purposes.

**Compensated Absences**

It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the Authority. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Fund Equity**

In the fund financial statements, the governmental fund may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The reserve for capital improvements represents the fund balance of a 4 percent surcharge assessed by the counties on telephone land lines. The counties passed a resolution allowing the surcharge to be assessed until December 31, 2006. The surcharge is to be used to assist in the funding of the upgrade and replacement of equipment by the Authority, per the resolution.

**Contributions**

The Authority benefits from the volunteer efforts of individuals and from services provided by participating municipalities at no charge. The value of these services have not been reported in these financial statements. However, in-kind contributions from participating municipalities have been assigned a value for the purpose of establishing historical contributions. In the event of a dissolution, historical contributions are used to determine each participating municipality's interest in the net assets of the Authority. Contributions of donated assets are recorded at estimated fair value on the date of the donation.

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE B - BUDGET:

The board of Directors adopts the annual operating budget, which can be amended by the Board throughout the year.



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December 31, 2004

NOTE B - BUDGET (Continued):

The annual operating budget is prepared on the cash basis of accounting and the fund financial statements are prepared on the modified accrual basis of accounting, which is required by U.S. generally accepted accounting principles (GAAP). The following schedule reconciles the difference between actual revenues and expenditures on the GAAP basis and the cash basis.

	<u>Revenues</u>	<u>Expenditures</u>
Amounts on GAAP basis	\$1,796,808	\$1,558,702
GAAP to cash basis accrual adjustment increase (decrease)	<u>(10,780)</u>	<u>62,359</u>
Amounts on cash basis	<u>\$1,786,028</u>	<u>\$1,621,061</u>

Violations are noted in the required supplementary information section.

NOTE C - DEPOSITS AND CREDIT RISK:

At December 31, 2004, the carrying amount of the Authority's cash and certificate of deposits is \$841,616 and the bank balance is \$890,417. Of the bank balance \$100,000 is insured by the FDIC, and the remaining \$790,417 is uninsured and uncollateralized.

NOTE D - DUE FROM OTHER GOVERNMENTAL UNITS:

Due from other governmental units of \$132,743 at December 31, 2004 consists of the amounts due from the participating municipalities for cellular and wireless fees and telephone surcharges.

No allowance for doubtful accounts is considered necessary.

NOTE E - CAPITAL ASSETS:

The following is a summary of changes in the various fixed asset class categories for the year ended December 31, 2004:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Nondepreciable capital assets:				
Land	\$ 78,118	\$ -	\$ -	\$ 78,118
Depreciable capital assets:				
Building and improvements	1,118,378	-	-	1,118,378
Furniture and equipment	1,622,923	68,283	-	1,691,206
Vehicles	17,997	22,715	-	40,712
Software	<u>822,690</u>	<u>-</u>	<u>-</u>	<u>822,690</u>
Total depreciable capital assets	<u>3,581,988</u>	<u>90,998</u>	<u>-</u>	<u>3,672,986</u>
Total capital assets	3,660,106	90,998	-	3,751,104
Accumulated depreciation	<u>1,539,188</u>	<u>461,369</u>	<u>-</u>	<u>2,000,557</u>
Net capital assets	<u>\$2,120,918</u>	<u>\$(370,371)</u>	<u>\$ -</u>	<u>\$1,750,547</u>

Depreciation expense of \$461,369 was all charged to the public safety function.

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NOTE F - CONTRIBUTIONS FROM PARTICIPATING MUNICIPALITIES:

Under the terms of the organizing agreement, each participating county is responsible for funding the developmental costs and operating expenditures of the Authority based on a formula. Currently the formula requires that sixty percent of the Authority's expenditures be divided equally between the three participating counties. The remaining forty percent is divided based on telephone lines in each county. The agreement requires that this funding formula be reviewed every five years. The funding formula was last adjusted in 1999.

A summary of each participating county's funding percentage and actual contributions for 2004 is as follows:

<u>County</u>	<u>Funding Percent</u>	<u>Contribution</u>
Charlevoix	32.77	\$ 383,116
Cheboygan	30.77	359,734
Emmet	36.46	426,256
Total	<u>100.00</u>	<u>\$1,169,106</u>

NOTE G - RETIREMENT PLAN:

The Authority sponsors the C.C.E. Central Dispatch Authority Money Purchase Pension Plan, a defined contribution plan which covers all full-time employees. The plan is administered by the International City Management Association Retirement Corporation (ICMA). The Authority is required to contribute 8 percent of eligible employee compensation to the plan. Plan provision and contribution requirements are established and may be amended by the Authority Board of Directors. Employer plan contributions for the year ended December 31, 2004 totaled \$52,510.

The Authority also sponsors a Section 457 Deferred Compensation Plan, which is administered by ICMA. Eligible employees may contribute to the plan. The Authority is not required to contribute to the plan. Plan provision and contribution requirements are established and may be amended by the Authority Board of Directors. Employee contributions for the year ended December 31, 2004 totaled \$12,106.

NOTE H - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Authority belongs to the Michigan Municipal Risk Management Authority, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Authority pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100 percent of its claims. Settlements did not exceed insurance coverage for each of the past three years.

C.C.E. CENTRAL DISPATCH AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

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NOTE H - RISK MANAGEMENT (Continued):

The Authority also belongs to the Michigan Counties Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and worker's compensation insurance program for various municipalities throughout the state. The Authority pays an annual premium for its worker's compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100 percent of its claims.

NOTE I - GASB 34 ADJUSTMENTS:

Following is an explanation of the adjustments between the governmental fund balance sheet and the government-wide statement of net assets, which reconciles fund balance to net assets:

Governmental fund balance	\$ 936,369
Adjustments:	
Due from other governmental units,	
Amounts not collected within 60 days of the	
end of the current fiscal period	72,170
Capital assets	3,751,104
Accumulated depreciation	(2,000,557)
Accrued compensated absences	<u>(7,899)</u>
Net assets of governmental activities	<u>\$2,751,187</u>

Following is an explanation of the adjustments between the governmental fund revenues, expenditures and changes in fund balance and the government-wide statement of activities, which reconciles change in fund balance to change in net assets:

Change in fund balance	\$ 238,106
Adjustments:	
Revenue amounts not received within 60 days	
of the end of the current fiscal period:	
Cellular telephone and wireless user fees	48,319
Telephone surcharges	23,851
Capital outlay expense	90,998
Depreciation expense	(461,369)
Increase in compensated absences	<u>(7,899)</u>
Change in net assets	<u>\$ (67,994)</u>

C.C.E. CENTRAL DISPATCH AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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NOTE J - SUBSEQUENT EVENT:

Subsequent to year end, the Authority's Board of Directors approved expending approximately \$660,000 for Phase One of the microwave radio upgrade project. The project is expected to be funded, in part, by Department of Homeland Security grants totaling \$117,000 and a U.S. Department of Justice grant totaling approximately \$247,000. The remainder is expected to be funded by telephone surcharge revenues. All grants have been approved, however no drawdown of grant revenues have been made as of the audit report date.

C.C.E. CENTRAL DISPATCH AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CASH BASIS  
for the year ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:				
Contributions from participating municipalities	\$1,169,106	\$1,169,106	\$1,169,106	\$ -
Cellular telephone and wireless user fees	250,000	250,000	267,506	17,506
Telephone surcharges	-	-	294,306	294,306
Federal grants	-	-	-	-
State grant	7,000	7,000	3,268	(3,732)
Local revenue sharing board grants	-	-	37,400	37,400
Interest	5,000	5,000	12,493	7,493
Other	<u>500</u>	<u>500</u>	<u>1,949</u>	<u>1,449</u>
Total revenues	1,431,606	1,431,606	1,786,028	354,422
EXPENDITURES:				
Salaries and wages	703,882	703,882	738,171	(34,289)
Payroll taxes	60,500	60,500	56,470	4,030
Employee benefits	163,174	163,174	164,871	(1,697)
Retirement plan	50,956	50,956	52,510	(1,554)
Professional and contractual services	83,500	83,500	90,997	(7,497)
Utilities	25,000	25,000	24,982	18
Supplies and postage	17,950	17,950	17,315	635
Vehicle	2,500	2,500	1,108	1,392
Travel	500	500	3,705	(3,205)
Telephone	142,330	142,330	112,374	29,956
Repairs and maintenance	161,000	161,000	157,419	3,581
Education and training	3,500	3,500	2,103	1,397
Miscellaneous	15,999	15,999	2,953	13,046
Rent	22,500	22,500	18,285	4,215
Insurance	10,315	10,315	35,359	(25,044)
Mapping	27,000	27,000	23,648	3,352
Licensing	-	-	8,250	(8,250)
Capital outlay	<u>-</u>	<u>63,385</u>	<u>110,541</u>	<u>(47,156)</u>
Total expenditures	<u>1,490,606</u>	<u>1,553,991</u>	<u>1,621,061</u>	<u>(67,070)</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$ (59,000)</u>	<u>\$ (122,385)</u>	164,967	<u>\$ 287,352</u>
FUND BALANCE, beginning of year			<u>676,649</u>	
FUND BALANCE, end of year			<u>\$ 841,616</u>	

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July 11, 2005

Jane Brannon, Fiscal Agent  
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We have audited the financial statements of the C.C.E. Central Dispatch Authority for the year ended December 31, 2004, and have issued our report thereon dated June 1, 2005. In planning and performing our audit of the financial statements of the C.C.E. Central Dispatch Authority, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. During the course of our audit, we became aware of several matters that represent an opportunity for strengthening operating controls and improving financial reporting.

The following comment is repeated from last year's letter:

Equipment Inventory

We recommend that the Authority consider implementing a fixed asset identification system, whereby all assets are tagged and logged with information including the cost and where the asset is located. The fixed asset inventory is an important control to ensure a proper accounting of all fixed assets owned by the Authority. Random checks should be performed periodically against the inventory to make sure that the asset exists in the proper location.

The following comments are as a result of the current year audit:

Revenue Classifications and Monitoring

Several significant reclassifications of wireless service charge revenue amounts were necessary. These amounts were originally posted to the 4 percent surcharge revenue accounts. The 4 percent telephone surcharge revenue is restricted for infrastructure upgrades by the Authority. Therefore, it is critical that the 4 percent surcharge revenue accounts be accurate throughout the year. Subsequent to year-end, the Operations Manager requested that the counties remitting the revenue either properly break down the revenue amount by source, or issue separate checks to the Authority for each source of revenue.



Also, we noted that in several instances the counties did not remit revenues to the Authority on a timely basis. We recommend that the Authority closely monitor remittance dates to ensure that revenues are received when they are due.

Public Safety Answering Points Training Funds

The State of Michigan periodically remits Public Safety Answering Points Training Funds (PSAP) to the Authority. These funds are to be used only for qualified training courses. If the funds are not spent or not spent properly, the state is entitled to be repaid, if they so request. Currently, the funds are monitored by examining the Quickbooks general ledger, over a period of multiple years. This procedure does not allow for an efficient analysis of how the funds were spent, or of what excess funds exist. We recommend maintaining a report that would show the funds received and the amount spent on qualified training courses. This would allow for efficient monitoring of funds still available for training.

We would like to acknowledge the courtesy and assistance extended to us by all the Authority's personnel during our audit. Should you have any questions with respect to the above comments, we would be pleased to discuss them with you at your convenience.

Very truly yours,

*Smolinski & Christman, P.C.*

Smolinski & Christman, P.C.

